

31 AUG 1949

1079

TOP SECRET

25X1

GENERAL

1. Estimated effects of US aid for southwest China group--In response to a Department of State query regarding the military requirements and potentialities of the Nationalist group in southwest China headed by Li Tsung-jen and Pai Chung-hsi, US Embassy Nanking has replied that the military capabilities of this group to organize and continue resistance against the Communists must be considered limited. The Embassy considers that the forces of Pai and Li, if given sufficient US assistance, could maintain themselves against superior Communist strength for a maximum period of one year, but that the Communists are capable of cutting off Pai's access to coastal ports, thus making an airlift the only channel of supply for these forces.

The Embassy points out that the considerations favoring a US plan to bolster this group include: (a) the southward sweep of Communism would be obstructed by continued resistance in southwest China, even if only for a year, which would give Southeast Asia more time to strengthen defenses; and (b) effective defense of the southwest would encourage potential resistance groups within the Communist areas of China and generally weaken Communist authority. The Embassy includes among unfavorable considerations that: (a) an openly hostile attitude by the US toward the Communists would unquestionably prevent the establishment of diplomatic relations with the new government of China for some years to come; (b) renewed military aid to the Nationalists would mean the rapid extinction of all American interests in Communist China; and (c) such action probably would strengthen rather than weaken Chinese Communist ties with Moscow. The Embassy concludes that even by the most optimistic estimate of the benefits to be derived from maintaining Nationalist resistance for a year, the adverse effects would outweigh the advantages.

Document No. 051
 NO CHANGE in Class. ☐
☐ DECLASSIFIED
 Class. CHANGED TO: TS S (C)
 Auth: DDA MEMO. 77/1783
 Date: 12/7/78 By:

- 1 -

25X1

CONFIDENTIAL

State Dept. review completed

TOP SECRET

25X1

2. Possible break in Bulgarian relations with Tito--US Embassy
London transmits a British report from Sofia that Bulgaria will shortly break off diplomatic relations with Yugoslavia. The British minister in Sofia has observed that such a move would be undertaken as part of a general Cominform plan.

(CIA Comment: CIA believes that although the present rapid deterioration of Cominform-Yugoslav relations makes such a Bulgarian move likely, it is probable that some Cominform diplomatic representation with Yugoslavia would be retained in any event in order to provide the Kremlin with continuing channels of intelligence and subversion within Yugoslavia.)

- 2 -

CONFIDENTIAL